

Message Text

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ACTION SS-15

INFO OCT-01 EUR-12 ISO-00 IO-13 EB-08 SSO-00 /049 W
-----100210 121547Z /41 S

O 121514Z APR 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC PRIORITY 7587
AMEMBASSY PARIS IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 02 BONN 06686

USOECD

FOR UNDERSECRETARY COOPER (G) FROM FRANK (IO)

E. O. 11652: GDS
TAGS: ETRD, PORG, UNCTAD, GW
SUBJECT: VISIT TO BONN

1. DURING MY PARTICIPATION IN FDP SEMINAR, I HAD
OPPORTUNITY TO BRIEF QUICKLY FRAU STEEG ON MY AFRICAN
TRIP. SHE SEEMED TO BE MOST CONCERNED ABOUT POSSIBLE
CHANGES IN U.S. POSITION ON "FIRST WINDOW". SHE SAID
THAT LOWERING OF DEPOSIT RATIO AND CONTRIBUTION TO
ADMINISTRATIVE COSTS WERE VERY MINOR CONCESSIONS AND
SHE WONDERED WHAT ELSE WE HAD "UP OUR SLEEVE".

2. I SAID THAT THE ONLY POSSIBILITY BEING DISCUSSED
WAS A LOSS RESERVE FUND, THAT THERE WAS SOME
SUPPORT FOR THIS IDEA WITHIN USG BUT ALSO OPPOSITION.
NO FIRM DECISION HAS BEEN TAKEN. SHE SAID SHE WAS
OPPOSED TO CONCEPT OF LOSS RESERVE FUND. IN HER
DISCUSSION WITH BANKERS THEY TOLD HER IT WASN'T
NECESSARY. I SAID THAT IN MY FEW DISCUSSIONS WITH
BANKERS THEY HAD EMPHASIZED THE QUALITY OF THE
GUARANTEES AS THE CRITICAL FACTOR, BUT A CASH RESERVE
WOULD ALSO BE HELPFUL. I SAID IT WAS DIFFICULT FOR ME
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TO SEE HOW A FINANCIAL INSTITUTION COULD OPERATE WITHOUT
SOME KIND OF CASH RESERVE. CASH DEPOSITED BY ICA'S
WOULD BE BALANCED BY LIABILITIES TO SAME ICA'S. UNTIL
COMMON FUND WAS ABLE TO RETAIN EARNINGS, IT WOULD HAVE
NO FREE CASH RESERVES.

3. FRAU STEEG AGREED THAT QUALITY OF GUARANTEES WAS

ESSENTIAL AND THAT THEY SHOULD BE "ABSOLUTELY UNCONDITIONAL". SHE HAD URGED GAMANI COREA TO GET SOLID BANKING OPINIONS ABOUT CAPITAL STRUCTURE. IF BANKING EXPERTS BELIEVED A CASH RESERVE WAS ESSENTIAL, THEN WE COULD RECONSIDER OUR POSITION.

4. I WAS INVITED TO DINNER BY SULIMMA FROM THE FOREIGN OFFICE TO DISCUSS OVERVIEW AND COMMON FUND. HE STRESSED THAT FRG WAS MOVING TOWARD SUPPORT OF THE CONCEPT OF THE "SECOND WINDOW" AND A VOLUNTARY CONTRIBUTION TO IT. HE SAID THAT GENSCHER WAS DEFINITELY LEANING IN THAT DIRECTION AND IT WAS ONLY A MATTER OF TIME BEFORE THE ECONOMICS MINISTRY ALSO ACCEPTED THE IDEA. (LAMBSDORFF HAS A STRONG DISLIKE FOR THE SECOND WINDOW SO OUTCOME IS UNCLEAR. IN THE PAST LAMBSDORFF VIEW HAS BEEN CLOSER TO THAT OF CHANCELLOR SCHMIDT ON THIS ISSUE). I SAID THERE WAS VIRTUALLY NO SENTIMENT IN USG FOR SECOND WINDOW CONCEPT OR FOR US CONTRIBUTION. IF FRG MOVED IN THIS DIRECTION THEY WOULD LIKELY ISOLATE US. WE SHOULD COORDINATE ANY MOVES THAT WE MAKE. I SAID YOU WILL WANT TO DISCUSS GROUP B COORDINATION ON COMMON FUND AT NEXT XCSS MEETING.

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 06686

5. ON OVERVIEW, SULIMMA SAID FRG WAS SKEPTICAL THAT IT WOULD AMOUNT TO MUCH. HE DOUBTED THAT LDCS WOULD SEND REPRESENTATIVES FROM CAPITALS. I SAID WE HAD SENT A CABLE TO SEVERAL LDC CAPITALS ASKING ABOUT REPRESENTATION. RETURNS SO FAR NOT VERY ENCOURAGING

BUT ALSO NOT COMPLETE. COOPER DECISION TO ATTEND
OVERVIEW NOT YET FIRM AND WOULD DEPEND ON RESPONSES
TO OUR DEMARCHE.

6. SULIMMA ASKED IF WE COULD REPORT TO HIM ON THE
RESULTS OF OUR DEMARCHES IN LDC CAPITALS. FRG HAD
NOT YET MADE A DECISION ON REPRESENTATION AT
OVERVIEW. AT PRESENT THEY WERE INCLINED NOT TO SEND
SOMEONE AT COOPER LEVEL. (FOR IO: PLEASE ENSURE THAT
FULL REPORT IS SENT TO BONN).

7. SPEECH I GAVE AT SEMINAR INCLUDED YOUR SUGGESTED
CHANGES; IT CONTAINED NARY A MENTION OF A MOVING
TARGET BAND. SPEECH WENT OVER WELL.

8. COUNT LAMBSDORFF SENT YOU HIS REGARDS. SAID YOU
WOULD HAVE DISAGREED WITH MUCH OF WHAT HE SAID IN HIS
SPEECH. I DIDN'T HEAR ANYTHING IN THE SPEECH WITH
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WHICH YOU MIGHT HAVE DISAGREED. PERHAPS THE
TRANSLATION WAS BAD.
STOESSEL

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